

Texas Department of Agriculture  
Texas Agricultural Finance Authority  
Agricultural Loan Guarantee (ALG) Program  
Frequently Asked Questions

Q. What's the Agricultural Loan Guarantee (ALG) program?

A. The Agricultural Loan Guarantee, or ALG, Program provides a loan guarantee to a lender on behalf of a creditworthy agriculture producer or agriculture-related business.

Q. How do I apply?

A. Discuss the program with your lender and have them agree to submit an application on your behalf to TAFE.

Q. Is it for me?

A. Could be! Any agriculture producer or agriculture-related business that meets the lender's underwriting criteria is eligible.

Q. Who is involved?

A. Any commercial lending bank or Farm Credit System lender may use this program.

Q. Who determines the loan terms?

A. The lender and the borrower determine the loan terms, including interest rate, repayment, maturity and collateral. TAFE retains the right to alter any loan terms as necessary to provide the guarantee. TAFE's guarantee shall not exceed a maximum of 10 years or the useful life of the assets being financed.

Q. When would I find out if I am approved for the ALG program?

A. Guarantee requests under \$500,000 will receive a decision within 10 working days from the time a complete application is received. Guarantees over \$500,000 require approval of the TAFE board, and may take 30 to 90 days to process.

Q. What's the loan limit?

A. There is not a pre-established limit! However the guarantee amount is limited based on tiered levels as follows: \$250,000 or 90% of the loan amount, whichever is less  
\$500,000 or 80% of the loan amount, whichever is less  
\$750,000 or 70% of the loan amount, whichever is less

Q. Are there restrictions on the use of loan proceeds?

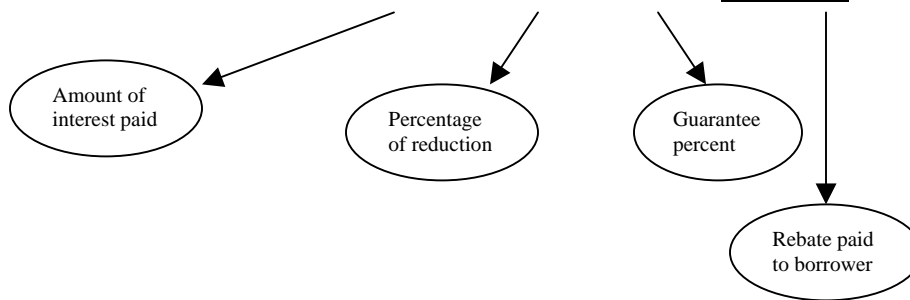
A. Loan proceeds may be used for any agriculture-related operating expense, the purchase or lease of land or a fixed-asset acquisition or improvement, or for any enterprise based on agriculture as identified in the application.

Q. How does the interest rebate work?

A. Although the lender collects interest from the borrower at the stated rate, the TAFA rebate is paid directly to the borrower. The borrower's interest cost is reduced by the amount of rebate received. The rebate is based on an interest rate reduction of three percentage points on the rate the lender charges, but may not effectively lower the interest rate below 5% or result in a rebate payment of more than \$5,000 to an applicant in any one year.

For example:

Loan amount: \$225,000  
Guarantee: 90%  
Lender's interest rate: 7.25%  
Interest rate reduction: 2.25% (effective rate of 5%) divided by 7.25%=31%  
Annual interest paid: \$16,312.50 (estimate for illustration purposes)  
Interest Rebate amount:  $\$16,312.50 \times 31\% \times 90\% = \underline{\$4,551.19}$



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